

Internal Audit Plan FY 2013

Internal Audit Division

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Introduction

The Texas Internal Auditing Act¹ and *the International Professional Practices*Framework² require the Internal Audit function of an organization to develop an annual Internal Audit Plan. The Internal Audit Plan establishes the framework for the audit and consulting activities to be performed by the Texas Department of Motor Vehicles (TxDMV) Internal Audit Division (IAD) during the 2013 Fiscal Year.

Scope and Objective

This Internal Audit Plan covers the period of September 1st, 2012 to August 31st, 2013.

The preparation of the Internal Audit Plan serves as the process by which the Internal Audit Division accumulates the data necessary to identify and rank potential engagement areas according to risk. The ultimate objective of IAD is to provide the Board of Directors and management with information to reduce exposure to the negative effects that may be associated with operations of the agency. The degree or materiality (size) of exposure can be viewed as risks mitigated by establishing sound internal control.

Responsibilities

The Internal Audit Division is responsible for preparing the Annual Audit Plan and submitting it to the Board of Directors for review and approval. Periodic updates relating to project status, schedules and significant interim changes will also be communicated.

¹ Texas Government Code, Section 2102.005.

² International Professional Practices Framework (Altamonte Springs, Florida; IIA, 2011 Edition Standard 2010)

Recommended Engagements

Based on the results of the risk assessment process performed (Appendix A), IAD is recommending the engagements detailed in Tables 1 and 2 below, to comprise the Internal Audit Plan for the 2013 Fiscal Year.

Table 1

FY 2013 Audit Engagements with reports to the Board			
Audit Area	Identified Risks and Summary of Work to be Performed		
Follow-up Engagement to SAO Report 12- 043	Potential Risks – As noted in the SAO Report, control weaknesses were found in the areas related to contract management, and procurement. Work Plan – This audit will ascertain the implementation status of actions taken on the recommendations in the SAO Report.		
Cash Handling Phase 1 ³ (VTR Regions)	Potential Risks – The VTR Regional Offices routinely deal with large volumes of highly liquid transactions. Work Plan – This audit will review and identify the controls related to cash handling in the VTR Regional Offices.		
Cash Handling Phase 2 (Headquarters)	Potential Risks – The Austin Headquarters routinely deals with large volumes of highly liquid transactions as well as the reconciliation of funds collected by the VTR Regional Offices. Work Plan – This audit will review and identify the controls related to cash handling in the Austin Headquarters.		
TxPros - Permitting and Routing System	Potential Risks – TxDMV is relying on a new permitting system which has not been formally accepted by the agency. Work Plan – This post-implementation audit will focus on the completeness, budget, and implementation of TxPros.		
Web-enabled Subcontractor Renewals (Web Sub)	Potential Risks – This is a new program for processing a large volume of registration renewal transactions via the internet. Work Plan – This engagement is a continuation of the audit previously started and will focus on reviewing the application controls over data.		
Internal Audit Plan (FY 2014)	Potential Risks – This is a statutorily ⁴ required engagement. Work Plan – Propose the engagements which will comprise the FY 2014 Internal Audit Plan.		

³ Due to the size and disparate nature of the activities performed in the Regional Offices versus the Austin Headquarters, this audit will be split into two separate phases.

⁴ Statutory Mandate – Texas Government Code, Section 2102.007 (2).

Annual Audit	Potential Risks – This is a statutorily⁵ required engagement.	
Report (FY 2012)	Work Plan – Report on the FY 2012 activities of the Internal Audit	
	Division to the appropriate oversight agencies by November 1 st , 2012.	

Table 2

FY 2013 Other Activities (Final Deliverable to be determined)			
Project Area	Summary Description		
Board and Executive Management Requests	Potential Risks – Varied, depending on the nature of the request. Work Plan –In anticipation of requests during the 2013 Fiscal Year, IAD is allocating time to assist the Board and Executive Management.		
Registration and Titling Quality Assurance Review	Potential Risks – Based on an analysis of monthly RTS transaction reports, areas of concern have been identified. Work Plan – This consulting engagement will focus on assisting VTR with developing a risk based plan to mitigate identified vulnerabilities.		
Monitoring of TASP Projects	Potential Risks – As major agency projects and initiatives are placed into development many risks can arise that either increase costs or delay production and implementation. Work Plan – On-going monitoring of the development of projects and assistance as needed related to contract procurement, and Independent Verification and Validation (IV&V) vendor selection.		
ABTPA Single Audit Reviews	Potential Risks – Statutorily ⁶ required engagement. Work Plan – On-going monitoring of grantee compliance with Uniform Grant Management Standards.		
State Agency Peer Review	Potential Risks – The Texas Internal Auditing Act ⁷ requires each State Agency Internal Audit Division to periodically take part in a comprehensive external peer review. Work Plan – IAD has been requested to perform a comprehensive external review of another State Agency Internal Audit Division.		
Implementation of Audit Management Software	Work Plan – IAD is anticipating the licensing of Audit Management Software from the State Auditor's Office during FY 2013.		

Statutory Mandate – Texas Government Code, Section 2102.009.
 Statutory Mandate – Texas Government Code, Section 783.010.
 Statutory Mandate – Texas Government Code, Section 2102.007 (5).

Board and Executive Management Requests

During the abbreviated 2012 audit year, IAD fielded multiple requests from both the Board and agency Executive Management for assistance related to various areas of agency operations. As TxDMV operations and staffing continue to evolve, IAD anticipates a similar need for these ad hoc assistance engagements during FY 2013. To ensure that IAD is able to meet these ongoing requests as they arise on a timely basis, IAD will be allocating approximately 15% of available direct audit hours to serve Board and Executive Management requests.

Some of the value added consulting services provided by IAD to address these requests during this fiscal year include:

- Reviewed processes related to the MVD dealer licensing model and provided results; enabling Executive Management to obtain an understanding of the issues and address application backlogs and workloads.
- 2. Worked with Finance Division to develop cost models for agency fees and operations.
- 3. Provided comparative analysis between the Date of Sale and Date of Transaction, including the associated potential dollar value impact to the agency, related to vehicle registrations.
- 4. Conducted analysis of monthly vehicle registration and license plate inventory transaction reports to identify potential risk areas related to agency operations.
- 5. Provided analysis to ensure compliance with State requirements regarding applicable website hyperlinks to the State Auditor's Office (SAO) Fraud, Waste and Abuse Reporting System.
- 6. Functioned as a liaison between the TxDMV and the SAO during its contracting and procurement audit of the agency.
- 7. Reviewed four complaints received from the SAO hotline to determine the merit and potential impact (if any) to agency operations.
- 8. Assisted the Finance Division with the analysis and review of TxDOT billing documentation, as well as provided input into the revised FY 2013 Memorandum of Understanding (MOU) between TxDMV and TxDOT.

Appendix A - Risk Assessment Scores

Listed below are the results of the risk assessment scoring (RAS) process conducted by IAD. Those engagements in red have been included in the FY 2013 Audit Plan.

Table 3

Table 3			
Risk Assessment Scores for identified Engagement Audit Areas - FY 2013			
	Engagement Area	RAS Score	Assessed Risk Level ⁸
1	Follow-up Engagement to SAO Report 12-043	4.51	
2	Cash Handling Controls	4.33	
3	Registration and Titling Quality Assurance	4.27	
4	Monitoring of TASP Projects	4.08	
5	TxPros Permitting and Routing System	4.06	
6	Licensing Function	3.90	
7	Vehicle Registrations	3.61	
8	Permits	3.51	
9	Review of HR Processes	3.47	
10	Vehicle Titling	3.35	
11	Revenue Processing Controls	3.33	
12	Regional Operations	3.27	
13	Grant Administration (Compliance with HB 1541)	3.10	
14	Vendor Payment Processing Controls	2.96	
15	OS/OW Operations	2.94	
16	Customer Service Process Review	2.84	
17	IRP Administration	2.78	
18	Credentialing	2.61	
19	Vehicle Consumer Complaints	2.33	
20	Specialty Plate Testing and Implementation	2.27	
21	Investigations	2.12	
		-	

⁸ Legend – Red represents Risk Scores > 4.0 (Highest Assessed Risk), Yellow represents Risk Score between 3.0 and 3.99 (Intermediate Risk), Green represents Risk Scores < 3.0 (Lowest Assessed Risk)

Appendix B - Status of FY 2012 Engagements

An update on the status of those engagements approved by the Board as part of the 2012 Internal Audit Plan has been included below. Those engagements expected to produce a final report to be presented to the Board have been included in Table 3 (Status of FY 2012 Engagements). Those engagements which represent on-going monitoring activities undertaken by the Internal Audit Division have been included in Table 4 (Status of FY 2012 Other Activities).

Table 4

Status of FY 2012 Engagements			
Audit Area	Status	Comment	
County Equipment Replacement Project (CERP) Audit	Awaiting Management Responses to Draft Report.	Exit conference has been held discussing audit findings with Executive Director and Division Directors. Awaiting management responses to audit recommendations.	
Internal Audit Plan (FY 2013)	Completed.	Submitting plan for approval during September Board Meeting.	
TxPros – Permitting and Routing System	On Hold.	Audit placed on hold due to the delay in final acceptance by OS/OW of the TxPros program.	
Web Agent (Web Sub)	Planning and research.	Report estimated for 2 nd quarter of FY 2013.	

Table 5

Status of FY 2012 Other Activities		
Project Area	Status	Comment
ABTPA Single Audit Reviews	Non-Audit	Ongoing monitoring of grantee compliance with State Uniform Grant Requirements. Monitoring will continue during FY 2013.
Automation Project	Non-Audit	Ongoing monitoring function which will continue during FY 2013 as part of the "Monitoring of TASP" (Texas Automation Systems Project) engagement.

Appendix C - Estimated Hours

For each of the potential engagements noted above in Tables 1 and 2, IAD has developed an estimate of the number of hours needed for each project. Based on the estimates used, the total amount of direct audit hours required for the recommended engagements (3,920) exceeds the projected audit resources (3,506)⁹ for the year by 414 hours. This over scheduling is designed to allow for the possibility that some engagements may be completed with less audit hours than anticipated, or that some engagements may need to be rescheduled.

IAD will track and monitor the status of engagements as well as the availability of audit resources on an ongoing basis. As circumstances occur which necessitate adjustments, IAD will include these changes in the FY 2014 audit plan.

Engagement	Estimated Hours
Follow-up Engagement to SAO Report 12-043	250
Cash Handling Phase 1 (VTR Regions)	500
Cash Handling Phase 2 (Headquarters)	350
TxPros Permitting and Routing System	400
Web Agent (Web Sub)	350
Internal Audit Plan (FY 2014)	150
Annual Audit Report (FY 2012)	150
Board and Executive Management Requests	500
Registration and Titling Quality Assurance Review	300
Monitoring of TASP Projects	350
ABTPA Single Audit Reviews	200
State Agency Peer Review	300
Implementation of Audit Management Software	120
Total	3,920

⁹ This amount is calculated based on approximately 33% direct audit hours for the Division Director and 67% direct audit hours for division staff.